



1924

Economic Conditions
Governmental Finance
United States Securities

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The Past Year and Coming One

THE year which has just closed has seen production in the United States in nearly all lines either at the highest level ever reached or very close thereto. The yield of farm crops was slightly below that of 1922, but the official valuation for 1923 is \$8,322,695,000 against \$7,449,804,000 in 1922. This increase, however, was largely in cotton and corn, and the figures for these crops are somewhat misleading as indicators of prosperity, inasmuch as in the case of cotton they represent a high price for a small yield grown on a large acreage, and in the case of corn the crop is mainly fed on the farms. Agriculture in many localities is still laboring under difficulties mainly due to unbalanced price relations.

Employment has been practically up to the limit of the labor supply; the railroads have made a new year's record for transportation; the production of iron has been greater than in any previous year, and that of steel close to the maximum. The number of railroad cars loaded, which is the best general index to the volume of commodities moving in trade, has exceeded the figures for the year 1920, which previously held the record. Bradstreet's compilation of building permits granted in about 165 important cities of the country for eleven months to and including November shows a total of \$2,845,612,000, a gain of 24 per cent over the corresponding period of last year. The country's exports for the eleven months aggregated \$3,487,449,909, an increase of \$257,736,551, and its imports aggregated \$2,818,958,260, an increase of \$685,541,771.

The revival of business after the great post-war slump of 1920-21 began to be noticeable in the spring of 1922, when building operations over the country were resumed on an increased scale. Industrial conditions improved in the fall, and in the early months of 1923 the improvement became more pronounced. In the spring all outdoor operations opened with increased vigor, the demand for labor exceeded the supply, wages and prices began to move upward and the symptoms of a boom were generally recognized. In the build-

ing industry the demand for skilled labor exceeded the supply, and bonuses over fixed wage scales soon appeared, with the result that increasing costs and the evident state of congestion caused a large amount of work to be postponed. The general up-rush of wages and prices caused a reaction of sentiment. The business public had too keen a recollection of the boom of 1920 and what followed to want to participate in another experience of the kind. Trading became cautious and continued so throughout the year. The pressure upon the industries relaxed a little in the summer, and did not increase very much in the fall, although the rate of output remained high as compared with other years. At the beginning of November a stronger feeling of confidence developed and has been maintained. As the year end approached evidences have multiplied that instead of running into a quiet period the industries are likely to continue through the winter at a good rate of operations, and there is little doubt that spring will give a renewed stimulus to all activities.

The outlook for expenditures by the railroads is not so promising as it was a year ago, as the roads have placed their equipment in good order and demonstrated that they have enough of it to handle any amount of traffic likely to be offered in the coming year; nevertheless, they have other expenditures to make and will be an important factor if conditions are such that they can find the required capital. Other construction work is likely to go forward on a scale little if any below that of 1923. The issues of building permits in recent months indicate that such operations will be up to the capacity of the building trades. Development in the use of electricity is an important factor in the industrial world, and mechanical improvements for the purpose of reducing labor costs are prompting large capital expenditures in many lines.

The automobile industry in 1923 again outdid even its own anticipations, the production of cars and trucks exceeding by more than 50 per cent the production of 1922. The outlook at this time, judging by the reports received by

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the principal producers from their agencies is for the maintenance of this volume of sales in the coming year. There may be a basis for the opinion that the country could more profitably make smaller expenditures for automobiles and larger expenditures in some other directions, but it is an essential feature of the existing social order that people shall have the privilege of spending their incomes to suit themselves, and we are not prepared to believe that increasing expenditures for automobiles are a symptom of bad times.

Since the outbreak of the great war the industrial and business situation has experienced many violent changes, some of them highly stimulating and some of them very depressing. It is in the nature of things that such violent changes cannot be all in one direction. As we get farther away from the war the natural tendency is to greater stability, and the past year has shown this characteristic. The price movements have been moderate. The Bureau of Labor's average of index numbers for 404 commodities stood at 156 for January, rose to 159 for March and April, declined to 150 for August, rose to 153 for October and declined slightly thereafter. Except for an advance of $\frac{1}{2}$ per cent in the discount rate of the reserve banks of Boston, New York and San Francisco in February, the discount rate of all the reserve banks has stood at $4\frac{1}{2}$ per cent throughout the year. The rediscounts and advances of the reserve banks stood at \$628,000,000 at the date of the first statement in January, rose to \$730,000,000 on May 2, touched the high point of the year at \$930,000,000 on July 3, and on December 19 stood at \$750,000,000. A better showing of uniformity with business at a high level could not be asked for.

The banking situation in some parts of the country is still affected by an unliquid body of indebtedness created during the boom times, and numerous small banks have been obliged to suspend during the year. Although these failures occasion some local embarrassment, the financial situation is essentially sound and steadily improving. It has been generally recognized in the sections where most of these failures have occurred that the state laws had gone too far in encouraging the multiplication of small banks.

The great slump of 1920 and 1921 was the natural corollary of the great rise of prices and expansion of credit which had previously occurred. No business crisis ever has occurred unless preceded by a marked expansion of credit, and none need be looked for until such an expansion has occurred. We are not free from danger of it: the continuing importations of gold should keep us on our guard. In 1923 they have been greater than in 1922, reaching approximately \$300,000,000.

These additions to our gold stock are abnormal and undesirable, for if used in our bank reserves as the basis of credit they would produce inflation and if not so used they are unprofitable acquisitions. The bankers of Europe are confident that the expansion of credit is only a question of time, and that when the rise of prices comes the trade balance will turn heavily against us and that Europe will recover a good share of this gold. They thought these predictions were about to be realized last Spring, but the country was conservative and prices turned downward. So long as the tendencies to inflation can be held in check we may look for steady business.

The country hopes for some degree of relief from taxation at the hands of the Congress now sitting, and if it is obtained the effect will be to strengthen the business situation. The railroads even in the year of greatest traffic ever known have not been able to earn the percentage fixed by the Interstate Commission as a fair return upon the value of the properties as determined by the Commission, latest figures indicating that the result will be between 5 and $5\frac{1}{4}$ per cent. It is of the utmost importance for the maintenance of good service that the roads be let alone to carry out the plans for improvements which they have in view. The labor situation is more encouraging than it has been. The prospects are regarded favorable for the maintenance of good relations between the railroad companies and their employes without material advances upon present wages. The most serious wage dispute in prospect is that in the bituminous coal industry, which is the natural result of the settlement of the anthracite strike. Labor in this country, however, shows a growing sense of social responsibility, and in the past year has been vigorously rooting out the radical element from its councils. It has a growing appreciation of the fact that the real gains for the wage-earning class do not come from mere wage-advances which come back heavily upon the wage-earning class in the cost of living, but from improvements in production which increase the supply of comforts for distribution. Once this truth is fully comprehended industry will go forward with great strides.

The greatest achievement of the year has been the demonstration that the United States can enjoy so large a degree of prosperity notwithstanding the unsettled conditions in Europe. The record of 1923 can be repeated if the American people but have the courage to proceed with the development of their resources and the equipment of their industries as they have done in the past year. There is no lack of work to be done. The chief occupation of the American people is that of supplying their own wants, but that their foreign

trade is of a stable character the sustained exports of the last two years have shown. Our trade outside of Europe is growing. The balance between agriculture and the other industries is in the way of being restored, and if we will be satisfied with steady business, without a boom, there is good reason to expect that our hopes will be gratified in 1924.

The Industrial Equilibrium

The features of the present situation which are unsatisfactory are all due to disturbance of the industrial equilibrium.

The tire industry for example has been suffering from over-expansion. Fundamentally, the industry is in a strong position, for the number of automobiles in use has been rapidly increasing, but the tire business has been over-stimulated by its own prosperity. It suffered in the general slump of 1921, but the unfavorable conditions of late are due to its over-development. The situation affords an illustration of the industrial troubles for which the various branches of industry are themselves responsible, and which can be remedied by themselves alone.

The copper-producing industry has been in an unsatisfactory state in the last half of the year, with an output enough over the demand to weigh down the market. One reason for this is that while consumption in the United States is large, world markets do not take what they would if industrial order was re-established in Europe and normal development was going on. Another reason is that increasing quantities of copper have been coming at low cost from new ore bodies, upon which great sums of capital have been expended, and this competition is felt by the high-cost producers. The first of these conditions is one of the effects of the war; the other is a condition to which every industry is subject.

The oil industry has been depressed by an extraordinary flow from newly discovered pools. It is characteristic of this industry that production and consumption are seldom closely balanced. The latter steadily increases while the former is affected by the discovery and exhaustion of new fields of supply.

The leather industry is another in which demand and supply are not naturally co-ordinated, because hides, the raw material, are a by-product, not produced independently. Cattle have been forced on the market in the last four years faster than hides were needed and prices have been depressed; another case of disturbed equilibrium.

The coal industry is suffering from the effects of over-development, brought about by over-stimulation, resulting in part from heavy war demands but more from wage-disputes and repeated suspension of operations. The ef-

fect of these suspensions has been to create artificial shortages and to concentrate demands within short periods of time, thus offering inducements for the opening of new mines and attracting more workers to the industry than can have continuous employment in it. As a result wages are based upon the expectation of a large amount of idle time, and coal is made unreasonably dear to the industries and all consumers. It is another case of disturbed equilibrium.

The wheat-producing industry was very much disturbed by the war. Previously, an important part of the supplies received by importing countries came from Russia and the Balkan countries; the war cut off these supplies, which greatly stimulated production in other countries, notably the United States and Canada. Since the war grain production has recovered all over Europe, and Russia has re-appeared as an exporter, with the result that there is an over-supply of wheat. The United States has reduced its acreage in some degree, but not to the pre-war area, while Canada and Argentina are producing much more than heretofore. This is a case where production was increased to meet an emergency and the emergency having passed it should be accordingly reduced.

The cotton goods industry has been disturbed by an influence operating in the other direction. An insect pest has seriously affected the production of cotton; with three short crops in succession stocks have been reduced alarmingly low, the price of the raw material has advanced so rapidly that manufacturers are unwilling to make up goods except upon order, and merchants hesitate to give orders at a level much above that to which consumers are accustomed. The normal equilibrium between the raw material and cloth, and between cotton goods and other commodities is disturbed and affects the industry unfavorably. Although cotton brings a high price, the growers are receiving it upon a small yield grown over a large acreage at high cost, and the benefits of the high price are very unequally distributed over different localities.

Wool is usually classed as an agricultural product, although only a relatively small portion of the world supplies is produced on farms. The number of sheep in all countries has been largely reduced and the wool situation is unbalanced by reason of short supplies. As in the case of cotton there is nothing that consumers can do but pay the rising prices, or do without, until supply and demand come into equilibrium.

During the war the demand for beef cattle was so great that prices rose, making beef-production unusually profitable, and beef-pro-

ducers, like tire-producers in the past year, strove to increase their output. Tire-production is increased by factory-extensions, new equipment and more workmen, but beef-production is increased by the slower process of building up herds. Individual growers, however, were tempted to increase their own production by buying stock cattle from each other, the effects of which were to run up prices and get many of them deeply into debt. When the demand for beef for the armies fell off and industrial depression spread over the world, beef consumption fell off, prices fell, and stock-growers who had borrowed money to pay for cattle at high prices have been obliged to sell their herds in markets overloaded with offerings. The situation was unbalanced one way when the growers were bidding against each other in their efforts to increase their herds and unbalanced the other way when they were trying to sell in markets where sellers greatly outnumbered buyers.

Corn and hogs are commodities closely related in the marketing process and in values. For several years prior to 1923 the equilibrium between them was lost, hogs bringing relatively higher prices. The effect of this situation was to stimulate the breeding of more hogs, until in the past year the number marketed was 34 per cent larger than in 1922. This turned the situation over, with the balance the other way.

There are other cases that might be mentioned to illustrate the importance of balanced relations between the various independent factors in industry and to show that the adjustment and regulation of these relations must be managed by the parties immediately concerned. The entire system of interchange by which the wants of society are supplied is regulated by the fluctuation of prices. Overdevelopment anywhere is corrected by a fall of prices and under-development is corrected by a rise of prices, and all this regulation is accomplished far more effectively by the free play of natural forces than it can be done by government regulation. The latter would require a dictatorship not only over prices but over all industry, regulating individual activities and doing away with individual judgment and individual independence.

None of the cases of maladjustment mentioned above have been caused by governmental action, except in the general sense that governments were responsible for the war, and governments cannot cure them. Any attempt by the government to remedy them would interfere with the natural readjustments and delay recovery.

Foreign Trade of the United States in 1923

The foreign commerce of the United States in 1923 has brought some surprises especially in the closing months of the year. Exports which in the first half of the year were 142 million dollars below the imports have shown remarkable gains in the second half and for the full calendar year seem likely to exceed imports by about 300 million dollars, against an excess of only 176 million in the full fiscal year ending with June, 1923.

Price Changes a Factor in Totals

The increases in the value of imports and exports are due in many instances to advances in prices rather than actual increases in quantity. In raw cotton for example the quantity exported shows a marked decline (4,436,147 bales in the eleven months of 1923 against 5,505,960 in the same months of last year), though the value shows a material advance (\$658,865,656 in 1923 against \$593,529,727 in 1922). In meats there is an increase in quantity and a reduction in price per pound, 938,000,000 pounds in the eleven months of 1923 against 717,000,000 in the same months of 1922, while the total value in 1923 was 136 million dollars against 122 million in 1922. The average export price of all meats in 1923 was 14.5c. per pound against 17.3c. in the same months of 1922. In grain there is a big fall off in exports, especially in quantity but exports of manufactures show large increases. Automobiles exported are 126,132 against 63,854, railway cars 9,671 against 3,708, lumber 67 million dollars value against 47 million, refined mineral oils 2,700,000,000 gallons against 2,062,000,000, and the group "machinery" 240 million dollars value against 196 million.

On the import side the chief increases occur in the groups, "raw material for manufacturing" and "manufactures for further use in manufacturing," the principal articles showing increases in imports being raw cotton, wool, fibers, fur, hides and skins, india rubber, copper and tin, while sugar shows a slight fall off in quantity but an increase in value.

Distribution of Our Trade

Imports from Europe in the ten months of 1923 showed an increase of 170 million dollars when compared with the same period of last year, while exports to that continent were 51 millions less than for that period last year.

Increases were recorded in our trade with nearly every country of South America. In the ten months our imports from that continent aggregated \$395,000,000 against \$280,000,000 in the corresponding period of 1922, and our exports aggregated \$227,000,000 against \$182,000,000.

From our next door neighbor, Canada, the imports are 342 million dollars against 292 millions in the same period of last year, and the exports thereto 561 millions against 468 millions. From Cuba the imports are 349 million dollars against 233 millions, and the exports thereto 161 millions against 101 million dollars in the like period of 1922.

From Asia the imports show a large increase, 857 million dollars against 672 millions, while the exports to that continent stand at 391 millions against 373 millions. The great rise in value of imports from Asia is due to the fact that they consist mainly of raw materials for our industries, while our exports to these countries consist largely of manufactures, of which however they import more from Europe.

Trade with Australia and New Zealand also shows material gains, the chief increases in our exports being in automobiles, agricultural machinery, refined petroleum and manufactures of various classes. Exports to Australia in the full calendar year 1923 will aggregate about 120 million dollars against 80 millions in 1922, and 44 millions in 1914, and to New Zealand about 25 million dollars against 8½ millions in 1913.

Trade with Germany

The record of trade between the United States and Germany as shown by the statistics of the United States Treasury does not bear out either the opinion that German exports have been greatly stimulated by the depreciation of the currency or that German capitalists have been accumulating large balances abroad. Notwithstanding the higher valuations upon merchandise since the war, imports into this country since the resumption of trade have been much below those of the pre-war years, measured by values. On the other hand the exports from this country to Germany more nearly approach the pre-war figures, but undoubtedly are less by quantitative measurement. For 1913 and the post-war years the value figures are as follows:

	Imports from Germany	Exports to Germany
1913.....	\$184,211,352	\$351,930,541
1919.....	10,608,141	92,761,314
1920.....	88,836,280	311,437,377
1921.....	80,279,943	372,380,232
1922.....	117,493,372	316,113,177
1923, 9 mos. ending Sept.	118,509,475	223,535,561
	\$415,727,211	\$1,316,227,661

Increasing Exports of Manufactures

The big growth in our exports to Australia illustrates the remarkable development which the manufacturers of the United States have made in their invasion of the markets of the entire world. Exports of manufactures in the calendar year 1923 will aggregate about 2

billion dollars against a little more than 1 billion in the fiscal year 1913, less than half a billion in 1903, and less than 200 million dollars in 1893. Thus the value of our manufactures exported in 1923 is about double that of ten years ago, four times that of twenty years ago, and ten times that of thirty years ago. Even more important is the fact that manufactures formed in the ten months of 1923 for which figures are available, 52% of the total domestic exports against 49% in 1913, 35% in 1900, 21% in 1890 and 15% in 1880; these figures as to the percentage which manufactures form of our exports include only the two groups, "manufactures ready for consumption" and "manufactures for further use in manufacturing" and are exclusive of the group "foodstuffs partly or wholly manufactured."

On the import side the active participation of the manufacturers is equally apparent. Imports of raw material and of manufactures for further use in manufacturing aggregated in the ten months ending with October \$1,803,053,000 against \$1,363,789,000 in the same months of 1922, forming 56% of the imports in the 1923 period as against 54% in the like period of last year. Finished manufacturing material formed but 20% of the imports of 1923 against 22% of the imports of 1922. The manufacturers of the country thus took 56% of the merchandise imported and supplied 52% of the domestic merchandise exported.

This growth in our exports of manufactures is further evidenced by the increasing share of the imports which non-manufacturing countries of the world draw from the United States. A comparison of the official import records of the principal non-manufacturing countries in the latest year for which details are available with those of the year immediately preceding the war shows that Argentina took 33% of her total imports from the United States in 1920 against 15% in 1913; Brazil in 1921 32% against 16% in 1913; Chile 32% against 17%; Peru 55% against 28%; Australia in 1920 24% against 12% in 1913; New Zealand 19% against 10%; India in 1921 10.5% against 2.6% in 1914; China in 1920 18% against 6% in 1913; Egypt in 1921 15% against 2% in 1913; British South Africa 18% in 1920 against 9.5% in 1913; and Mexico in 1921 67% against 48% in 1913. In all of these above named countries manufactures formed a very large percentage of the merchandise which we sent to them.

While these big gains in our exportation of manufactures are doubtless due in some degree to the fact that certain of our European rivals in the manufacturing field are seriously handicapped by present conditions on that continent, the largest part of the gain is apparently due to the efficient equipment of our

manufacturers and their ability for the "mass production" which has enabled them to compete abroad with manufactures produced with lower wages paid in the rival countries. The official census figures of "capital" of the manufacturing industries of the country, exclusive of hand and neighborhood industries, were in 1899 \$8,975,000,000, and in 1919 \$44,579,000,000, and while the 1921 census of manufactures does not estimate the value of capital in that year it is quite apparent that the capital of the factories of the country today is more than four times as much as at the opening of the century. This big increase in the capital, while it did not increase the number of factories, did enormously increase their output chiefly by the substitution of powerful and down-to-date machinery for that of a quarter of a century ago. Nor can it be said that the substitution of this new and costly machinery resulted disadvantageously to labor, for the census figures of factory operation in 1921 show the number of wage earners in the factories in 1921 nearly 50 per cent greater than in 1899, the wages paid over \$8,000,000,000 against \$2,000,000,000 in 1899, while the value of the manufactures turned out was 43½ billion dollars in 1921 as compared with 11½ billions in 1899. Capital quadrupled in the twenty-two year period, 1899-1921, the sums paid for wages also quadrupled, the value of manufactures turned out quadrupled, while the value of "finished manufactures" exported in 1921 was over six times as much as in 1899.

The World in 1923

The general trend of business in 1923, the world over, excepting Germany, has been toward recovery, although everywhere the effects of disorganization and maladjustments resulting from the war have been evident and are still hampering prosperity. The worst feature of the situation everywhere is that the people do not understand the economic conditions from which their difficulties arise, are inclined to be impatient and resentful under the hardships which they suffer, and either force unwise policies upon their governments or embarrass industrial operations by demands which tend to prevent the situation from righting itself. Modern business is complicated by widespread relationships which under normal conditions are highly beneficial, but their disruption causes unavoidable losses and distress. The unwillingness of great numbers of people to accept this fundamental fact has the effect of aggravating all of the evils of the situation. The industrial output of many countries is less than in the years before the war, because trade relations have been disturbed, or because the daily hours of labor have been deliberately reduced, but the people are dissatisfied with any lowering of the stand-

ard of living, and disposed to think somebody to blame for it. Nevertheless, outside of Germany and possibly Russia, production and trade have been larger than in 1922 or any year since the depression began.

A regular reader of this letter, just returned from Europe, sends us the following:

On the steamer, an Englishman seated at my table called the steward and asked him how often he was laid off during the Winter months. The steward answered, "every few weeks" and the Englishman asked him whether he went to the Government and received a dole, and he replied, "certainly" and that he received a pound a week for every week he was unemployed and then went back in the service of the steamship company and got his full pay. When I was in London, people told me that there was a tremendous scarcity of maids due to the fact that these maids had during the war, left domestic service and worked in the factories. When the war was over, they refused to go back to domestic service, and are still drawing doles.

In Germany, when men are laid off in factories, they go to the Government and get doles, and in many cases peddle food, etc. The people to whom I spoke in Germany naturally appreciate the fact that the dole at the present time amounts to little or nothing, but they also appreciate that when the dole was first paid out, it was considerable, and was a contributory cause to the downfall of the mark. It is also appreciated in Europe, that if a workman in Germany had been allowed, no, even forced to work ten hours a day, the reparation payments to France would have been larger, and perhaps large enough to avoid France taking over the industries in the Ruhr.

What people in Europe want is that the Government would interfere less with the economic law.

A Revulsion from Democracy

The most outstanding development in Europe of the past year or two has been the revulsion from democracy as seen in the setting aside of representative governments and the concentration of authority, with the acquiescence of the public, in individuals who exercise virtually dictatorial powers. In Austria, Dr. Zimmerman, named by the League of Nations, is in control under the terms of a foreign loan. Mussolini heads the government in Italy, apparently with general approval, but without an election. In Spain, General Primo de Rivera, Marquis de Estella, last September suggested to the Prime Minister and Parliament that the space they occupied was more desirable than their company and they vanished. The General is performing their functions. The Madrid correspondent of the London Times told how easily the change was accomplished in describing the General:

With trim figure, and a courteous manner, he is an aristocratic soldier, and his pronouncement had an aristocratic touch. There has been no bloodshed as on former occasions. It has been sufficient for the Captain-General of Catalonia to tap the political tree with his gold-topped cane for the rotten fruit to fall to the ground. There was no call for the sabre, still less for the machine-gun.

In Bulgaria the existing government came in by a revolution and the assassination of the former Premier, Stambulsky. The latter was an extreme agrarian, and his partisans

have formed a coalition with the Communists. The existing government is conservative and has the support of the more intellectual elements of the population, but is handicapped by the peace treaty which forbids the maintenance of an army by conscription or of more than 33,000 men.

In neither Italy, Spain nor Bulgaria has the royal house been disturbed by these violent changes, the new powers in each case being friendly to the monarchy, and the monarchs apparently satisfied to accept the situation.

On the other hand, in Greece the royal family has been expelled from the country by the power of the military and the legislative authorities and a republic proclaimed. As in the other cases, however, the revolutionary movement had its origin in popular dissatisfaction with the administration of public affairs.

In Hungary the situation is virtually that of rule under a dictatorship, while in Germany the same is true, with the qualification that the constitution provides that in an emergency supreme power may be vested in the Chancellor, which has been done.

It cannot be assumed that the establishment of dictatorships signifies a lasting displacement of republican institutions, but it is evident that the public is tired for the time being of the inefficiency of parliamentary government. All of the continental law-making bodies have been split up into so many groups and blocs that parliamentary action was well-nigh impossible. The groups check-mated each other, group politics dominated everything and governmental responsibility no longer existed. Democracy had run itself into the ground, and in sheer desperation the public welcomed any authority that promised to be strong enough and patriotic enough to give good government. After all, the most important service of government is that of maintaining order and protecting industry and private business. If democracies will learn this lesson they will be greatly benefited by the experience.

Currency Stabilization

The paper money madness which has possessed Europe since the war has about run its course. In every country the people are tired and sick of the worthless currency and the fluctuating prices which accompany its use, but the governments are not all courageous enough to face the conditions that go with a sound currency, to-wit: that public expenditures must be met by taxation, that all public business shall be conducted upon ordinary business principles, that governments shall get rid of superfluous employes, and that business generally shall adapt itself to a stable standard of value, instead of relying upon a constant

stimulant in the form of rising prices. The main trouble is that during the war and since people have formed the habit of refusing to adjust themselves to conditions which they regard as hard or unusual and of appealing to governments for relief. The war has created a great many conditions that are hard and unusual, from which governments can give nothing but temporary relief and that of a fictitious and economically unsound character, calculated to prolong rather than remedy the evils. Ignorance of economic principles on the part of political authorities, unwillingness to face unpopularity or fear of revolutionary sentiments among the people, have been responsible for the makeshift monetary policies.

Old Monetary Fallacies

All of the evils of irredeemable paper currency, issued at the will of governmental authorities, have been seen again over nearly all Europe. All of the specious pleas in favor of easy credit for the purpose of overcoming unemployment, raising prices and helping debtors, have been advanced and the proposals tried, until everybody has had enough of them. The theory that no concrete standard of value is required, that lawfully issued paper, bearing the stamp of the sovereign power and possessing the legal tender quality, does not need to be convertible into any other kind of money, that gold has no real utility and that its use as basic money has been due to the tyranny of mere custom or the interests of international bankers, has been exploited in every corner of Europe, but nobody any longer repeats it. Nobody does reverence to the government stamp over there now. Everywhere the authorities are racking their brains to get some tangible value behind the money.

Nowhere did the advocates of paper money originally contemplate such excessive issues; they simply followed the easy course, or what amid the perplexities of the time seemed to them to be temporarily the only course, but once started they found that the need for each successive issue was more pressing than for the previous ones. Issues of paper money are a stimulant which quickly loses its effect, leaving the business situation more in need of another dose than it was of the first one.

In justice to the European governments it should be said that the chief reason for the paper issues with them has been the pressing need for means of meeting the enormous demands on the treasuries, swollen by unemployment doles and the increased cost of all state services. Nevertheless, the fallacy of all the arguments in behalf of irredeemable currency has been again most effectively exposed. Such currencies do not make money cheap in any other sense than that its value is depreciated, so that more of it is required to buy

everything. The argument that they make business good by causing a rise of prices is based upon this depreciation, and every degree of depreciation is a step toward the ruin which has been reached in Europe, where the savings of millions of people have been wiped out, the incentive of thrift has been destroyed and masses of people have been brought face to face with starvation.

History Repeating Itself

In this situation the history of the development of money is repeated. Coal, wheat, rye, hay are used for the standard of value, and paper money or government bonds are made redeemable in these commodities instead of in the money. Every country is planning to get back to the gold standard, for the same reason that was effective in bringing them to this common basis in the years before the war, to-wit, that it is more convenient, more stable in supply and value, and more generally recognized as having these qualifications, than any other commodity.

It will hardly be charged, that the international bankers have had anything to do with establishing a new currency system on a gold base in Russia. The Soviet government has done this out of the richness of its experience with irredeemable paper currency, and is putting out the new issue with commendable caution. It cannot, however take the place of the old currency at present. The paper rouble of 1923 has been officially given the value of 1,000,000 roubles of 1922, while the roubles issued prior to 1922 have no recognized value.

Conditions in Russia

It is not improbable that the first effect of the attempt to change to a stable currency in Russia has been to make conditions in some respects more confused and difficult. It is alleged that prices for the products of the state industries are quoted in the new currency while those of agricultural products are still quoted in the old, with the result that the purchasing power of the peasants is greatly reduced. At any rate it appears that the relations between farm products and industrial products, which is a subject of complaint in all countries, is even more unsatisfactory in Russia than elsewhere.

A dispatch from Riga says that Smilga, a prominent Communist, who occupies a leading position in numerous trusts and syndicates, recently read a report to the Moscow Business Club on Russia's present economic conditions.

It says:

He declared that trade is in a miserable plight. The Government's trading apparatus had failed and cooperative and private trade was at a standstill. They had worked without plan or calculation, and hitherto there had been nothing but frantic exchange speculation. Smilga blamed the monopoly

role of the syndicates for the violent fluctuation in prices, and emphasized the fact that the peasants received extremely small prices for grain, while the State organizations endeavored to obtain high profits. Consequently, the peasants were unable to purchase industrial products. The peasantry had returned to seventeenth-century economic conditions. The present economic crisis was of an elemental character.

Lenin's deputy, Rykoff, addressing a conference of the so-called Red directors, said that only by lowering the cost of production and thus enabling the peasants to buy much needed industrial products would it be possible to tide over the present crisis, which at the best must be a prolonged one. He said that after the acute phase of the crisis had passed, a long though less acute phase was inevitable, but from year to year the situation should improve, until the crisis definitely ended.

Whatever may be the cause, it is evident that the revival which was stimulated in Russia by the New Economic Policy, giving private initiative larger play, has suffered a reaction, notwithstanding the fact that crops have been larger and that considerable grain and raw materials have been exported in the past year. Dispatches say that the question of the "connecting link," between the town and countryside is the main topic of discussion at innumerable conferences and in the Soviet press. The number of agricultural implements in the hands of the peasants continues to be reduced by use and they have not the means of replacing them. There is a revival of talk about the importance of making concessions to induce foreign capital to enter the country.

The Regeneration of Austria

The most notable achievement in the reconstruction of Europe in the past year has been the satisfactory progress made with the reorganization of the fiscal and monetary system of Austria. The reform which was inaugurated under the auspices of the League of Nations in November, 1922, has been proceeding according to plan. With the aid of the foreign loan, which was offered in all the markets of Europe and also in the United States, the government treasury has been supplied with funds with which to meet current expenditures and stabilize its currency. New taxes have been levied, revenues have been increased, the public services have been reorganized, 51,043 public employes have been released and substantial progress has been made toward balancing the government budget. The schedule of the plan did not propose that the equilibrium between revenues and expenditures would be accomplished in the first year, but that it would be reached in 1924. It is believed that this will be achieved. The revenues from customs and tobacco, which are particularly pledged to the loan, in November, were at a rate which in a year would produce four times the amount required for interest on

the loan. This change in the condition of a nation has been wrought in a year by the adoption of sound financial principles, with the aid of "international bankers."

Naturally there was not complete unanimity in Austria for the plan, including the establishment of what is virtually a receivership for the country, but at the recent election the existing government was upheld by popular vote, thus assuring the necessary public support. This was expected in view of the great improvement that has taken place in industrial and business conditions. The nation has been rescued from a state of despair. New faith in the future of the country has been born. Industry has revived, the owners of capital, instead of being bent upon getting it out of the country, have been bringing back that which they had sent out, and this has meant new demands for labor. The position of Vienna as the financial center of eastern Europe has been strengthened. The Austrian crown is being frequently used as the basis of forward contracts in the Balkan countries whose currencies are still fluctuating.

Silver and nickel coins will be placed in circulation at an early day, and it is hoped that their common use will have a good effect in establishing confidence in the stability of the new system.

Hungarian Loan Coming

The success of the Austrian plan has been under close observation by other countries. The finances of Hungary have been in a desperate state, every internal financial device having failed to make the revenues equal expenditures or stabilize the currency. A foreign loan was impossible until the creditor countries under the peace treaty would consent to give such a loan priority over their claims. The "little entente" countries, Czecho-Slovakia, Rumania and Jugo-Slavia, finally agreed to the waiver upon certain conditions, to-wit, that a foreign administrator be appointed as in the case of Austria, and that satisfactory guarantees be given by Hungary as to disarmament and good intentions toward the creditor states. The Finance Committee of the League of Nations met in London in November with an official Hungarian delegation to consider these conditions, and announcement has been made that an agreement has been reached. A Commissioner-General responsible to the League will be appointed with powers similar to those of Dr. Zimmerman at Vienna, and a foreign loan, smaller than that floated for Austria, will be offered shortly. It is believed that the task of stabilization will be less difficult than in the case of Austria, from the fact that Hungary is an agricultural country with better inherent ability to balance her foreign trade account, and a better

balance between town and country population than Austria. Control over the finances of Hungary will give assurance that there will be no expenditures for military purposes.

Other States of Central and Eastern Europe

Finland not only has its government budget balanced and its finances in good condition, but has a balanced trade situation. Her principal industries are doing well. The new states of Latvia, Esthonia and Lithuania are working into better conditions. The foreign trade of Latvia in the first ten months of 1923 exceeded the total for the year 1922. The government finances of Latvia are in good shape.

A correspondent of the London Times writing recently from Warsaw, says:

Poland's financial problems are very much less complex than those of the other countries of Europe whose finances are, so to speak, in the doctor's hands. Poland is a rich country, with comparatively insignificant debts and a trade balance well on the right side. Just at present the countryside, from which three-quarters of the inhabitants gain their livelihood, is in excellent condition after a "bumper" harvest. The streets of Warsaw present a better appearance than they did even six months ago. The shops are well stocked, the people are well dressed, the droschke-horses are almost sleek, and there is an air of prosperity.

The country however is in the grip of a depreciating currency, which falls in value so fast that all calculations as to future revenues prove wide of realization, and the government is under the necessity of speeding up the printing presses to keep going. Of course the commercial life of the country is greatly embarrassed by this uncertain medium of exchange. The Minister of Finance has a plan for establishing a new bank of issue, to supply a new currency based upon gold, and a foreign loan is hoped for. There is talk of the Austrian plan here also. As Poland has a favorable trade balance and plenty of wealth subject to taxation, the problem of establishing a stable currency does not appear very difficult. The Minister has made a good start for 1924 by cutting down the estimate for military expenditures about one-third.

Czecho-Slovakia has been an oasis of stable currency and sound government finance, surrounded by depreciated currencies and in some respects the position has been a difficult one, made worse by the new custom tariffs of her neighbors. Nevertheless the government has pursued a consistent course, and its influence in composing the controversies of Central Europe has been very useful. The country has had good crops in the past season, and although its important trade with Germany has suffered by the troubles of that country, Czecho-Slovakia is a factor of strength in the European situation.

Jugo-Slavia is one of the countries in which conditions have improved during the past

year. The state railways have shown a surplus. The government revenues have done the same and the foreign trade figures show a decidedly improved situation.

In Rumania and Bulgaria conditions have been disturbed during the past year by political agitation. The government of Rumania has maintained control over the foreign trade, forbidding exports of grain and oil, the principal products of the country available for the creation of foreign credits, but lately the embargo has been lifted. Money has been very tight and business conditions unsatisfactory. The crops have been good in both Rumania and Bulgaria but prices are low.

Italy

Italy is another country in which economic conditions have made pronounced improvement during the past year. In the state of foreign trade, activity of domestic industries and state of government revenues decided progress has been made. The grain crops have been good, and the price of home-grown wheat in Italy is below the price at which the grain can be imported. The state railways had a deficit of 1,257,000,000 lire in 1921-22 and of 905,000,000 in 1922-23, and for the year ended June 30, 1924, is expected to not exceed 374,000,000. For the year ended October 31, 1923, only 247,000 days' work were lost by strikes, against 8,000,000 in the corresponding period ended October 31, 1922.

The Scandinavian Countries and Holland

The Scandinavian countries suffered heavy losses in the great slump of world trade in 1920-21, all being heavily interested in shipping. Their trade with Germany before the war was very important and naturally they have suffered from its decline. The paralysis of the iron and steel industry in Germany has affected the iron-ore exports of Sweden. These countries have had their share of industrial controversies in the last two years, but on the whole they have been steadily recovering from the post-war depression and getting into shape to trade with the world on a normal basis when the rest of it is ready. A notable step recently taken by Denmark has been the establishment of an Exchange Equalizing Fund, created by contributions by the Government, the National Bank and the leading private banks, for the purpose of stabilizing the relations between the Danish krone, and the principal currencies in which Denmark by reason of her trade relations is interested. The problem obviously is made complex by the fact that the pound sterling, which is the unit of the country with which Denmark has the largest trade after Germany, has not been very stable on its own account in recent months.

The movement for stabilization has been prompted by the depreciation of the Danish krone since the war, it being worth now about 18 cents, as compared with the par rate of 26.8. A Conference which carefully considered the situation gives expression to the opinion that the general economic condition of the country, apart from the depreciation of the krone, is as good as before the war. Further, the Report says:

Agriculture is working satisfactorily, and in the other trades employment has been continually increasing during the last few years. The investigations of the statistical sub-committee of the Conference have proved that—apart from loss by the slump—the less favorable financial balance between this country and foreign countries is principally due to expenses connected with the reversion of Slesvig to Denmark, re-establishment of livestock, replenishment of the stocks in trade, replacements in the mercantile marine, etc. To a great extent it has been possible to defray the expenditure for this out of the earnings during the war, and the Conference therefore is of the opinion that provided such expenditure should now be practically completed, there will be a possibility of attaining an improvement of the krone in the years to come, without creating too great difficulties, if the necessary support, by the entire community, is afforded the measures, financial, technical, and others, which might be decided upon for this purpose."

Credits aggregating about \$20,000,000 have been established in London and New York, which will be at the disposal of a Board of eight members, of whom two will be representatives of the State, two representatives of the National Bank, and one representative for each of four private banks.

It is not contemplated that the fund shall be used to effect any arbitrary or pronounced movement in exchange rates, but to steady them and to give Danish traders and exporters a trustworthy basis for their transactions. The report indicates that other governmental policies will be brought into play as may be necessary to support the operations of the Fund. Undoubtedly the plan will be executed under capable management, and there seems no reason to doubt that it will accomplish the purpose in view.

Holland naturally has been affected like the other countries contiguous to Germany by the depression and derangement of business in the latter country. Her colonial and overseas trade however has been well maintained, although the balance of trade has been adverse and the guilder, like other European monetary units, has suffered some depreciation in comparison with the dollar. The situation is inherently sound, but the state of industry is about as a year ago.

Great Britain

Great Britain has had a year of industrial depression and political agitation. It began with the break with France over the latter's determination to enter the Ruhr, British opinion in all the parliamentary parties being prac-

tically in agreement against this movement. A few months later, the Premier, Mr. Bonar Law, was obliged by failing health to retire from office and was succeeded by Mr. Stanley Baldwin. During the summer and early Fall the outlook for unemployment during the winter months was very disturbing, and Mr. Baldwin made the decision to go to the country on a proposal to establish protective duties against offerings of foreign manufactures in the British market. He was prompted to the course no doubt in part by the representations of British manufacturers that they were being undersold in the home market by competitors on the continent who possessed the advantage of being able to pay their employees in depreciated currencies, and in part probably by the expressions of the Imperial Conference, consisting of the premiers of the overseas Dominions, several of whom strongly advocated a general policy of tariff preference throughout the empire.

The program offered by Mr. Baldwin was a mild form of protection in comparison with the policy as maintained in many other countries. It expressly disclaimed any intention of placing duties on food or raw materials, which was disappointing to the Dominions and to agriculturists at home. As compensation to the latter he proposed a direct subsidy of one pound sterling per acre on all arable land. The argument for this was that home agriculture must be maintained for the security of the nation.

It is noteworthy that one of the criticisms of Prime Minister Baldwin in the campaign was that he had been too hasty in entering into a final settlement of the British debt to the United States. A considerable body of British opinion apparently holds that that government should have delayed entering into more specific engagements with the United States government, pending a general arrangement upon all inter-allied and reparations obligations.

The Liberal party made a straight-out fight for Free Trade, maintaining that unemployment in England was due to a falling off of international trade, the total having declined about twenty-five per cent since the pre-war years, with England doing fully her share although less in the aggregate.

The Labor party opposed the protective policy, but offered another issue by advocating a capital levy for the reduction of the public debt.

The appeal to the country resulted in what is accepted as a Conservative defeat, although the Conservative party is still able to muster more votes in Parliament than either of its rivals, coming out of the election with about ninety votes less than a majority, whereas it previously had a clear majority of seventy-seven. The Liberal and Labor parties both

increased their membership at the expense of the Conservatives, the Labor party retaining its lead over the Liberals, and remaining the official opposition.

The British trade situation improved somewhat in the last quarter of the year.

France and Belgium

General business conditions in France have been good during the past year, reconstruction work serving to take up any slack in the labor supply, while the downward tendency of the franc in the exchanges has helped to place French manufactures in foreign markets. The movement of French woolen goods into the English market was one of the principal influences stimulating sentiment there in behalf of protection and bringing on the British election. The 1923 grain harvest is approximately equal to that of pre-war years, and in connection with the Algerian production has made France practically independent of foreign supplies.

The Minister of Finance, M. de Lasteyrie, in a recent statement set forth the following points to show that there is no reason for discouragements over the way in which France is handling a difficult situation:

- (1) That the Ordinary Budget for 1923, will really balance and that the one for 1924 promises to do the same;
- (2) That receipts from normal and permanent sources in the past ten months had been 2,500,000,000 francs in excess of those for the first ten months of 1922;
- (3) That in the current year the yield from taxation amounts to 21,000,000,000 francs, to which must be added 2,000,000,000 from exceptional resources, whereas in 1920 taxes only produced 14,000,000,000;
- (4) That the Bank of France advances to the Treasury were in the middle of November less than 23,000,000,000 francs, whereas in 1920 they had been 26,600,000,000;
- (5) That the circulation had fallen from 39,645,000,000 francs in 1920 to 37,522,000,000 in 1921, 36,847,000,000 in 1922, and less than 37,500,000,000 in mid-November 1923;
- (6) That the last issue of Treasury Bonds, in October, had brought in more than 6,000,000,000 francs and with the one before, in April, a total of 10,480,000,000.

The increase of revenues is largely due to the resumption of business in the reconstructed areas, and may be counted upon as permanent. The foreign trade statements for ten months of 1923 shows imports valued at 25,620,674,000 and exports values at 24,376,250,000. Taking into account the invisible transactions, including tourists' expenditures, the balance for the year will be favorable to France.

The encouraging feature of the situation is the fact that the French people continue to show both the ability and willingness to buy the new bonds that are issued for the reconstruction work. On the other hand the serious feature, recognized by all French financiers, is the growing burden of interest upon the increasing debt. For relief from this

France looks to the reparation payments, the government planting itself firmly upon the demand for 26,000,000,000 gold marks, plus enough to satisfy in full the French indebtedness to the United States and British governments. The tendency of French exchange has been downward during the year, from about 7.35 cents to 5 cents.

Conditions in Belgium are similar to those in France. Here also the authorities have divided the budget into "ordinary" and "recoverable" expenditures, the latter being charged to Germany under the peace treaty. The former are satisfactorily met by taxation, but the latter occasion a deficit which annually increases the debt. The low value of the Belgian franc has been favorable to exports and to activity in the industries, although it is not a sound basis for prosperity. Belgium is a highly industrialized country, depending more than any other upon foreign trade. It must import largely of foodstuffs and of the raw materials for its industries. Approximately one-half of the people employed in the industries are dependent upon the sale of their products in foreign markets. Although reconstruction work is not completed the principal industries are operating about on the pre-war basis, but Belgium needs world prosperity to keep her industries busy. The paralysis in the Ruhr has thrown some business to her iron and steel industries, but stimulated activity in the Ruhr is likely to affect them unfavorably.

The Reparation Situation

France has forced a complete surrender of German opposition in the Ruhr, and there is a prospect for the resumption of coal and coke shipments on reparations account. A provisional agreement has been entered into with the German owners of the producing properties, which runs to next spring, and a significant fact in connection therewith is that the wage-earners have agreed to an increase of the daily hours of labor.

The production of coal in the Ruhr district in 1913 was 114,487,000 tons, but this record has not been equalled since. Much of it has been used in the manufacture of coke, and both coal and coke are largely consumed by the iron and steel works of the district. In 1922 the shipments of coal on reparations account aggregated 18,000,000 tons, against 22,279,000 called for by the Reparations Commission. Under the tentative conditions of the new agreement the coal producers must supply 18 per cent of their production to France, 5 per cent to Italy, about the same percentage to Belgium, a certain amount to the French troops and an amount to the railways upon remunerative terms. There is also a ten-franc

tax per ton on the rest of the production and a ten per cent tax on all by-products.

The practical result of this working arrangement can only be known by experience. German industries will be handicapped in foreign competition if their fuel costs are higher, but the coal operators will look to the German Government to reimburse them for the coal supplied on reparations and for the taxes paid. The Berlin government, however, explicitly says that its revenues must be in much better condition than at present before it can pay anything on account of reparations or for the support of the Ruhr industries or population. Without the support of the Berlin government the amount available from the Ruhr will depend upon the profits which the industries can make in competition with outside rivals, which in turn will depend largely upon the state of world trade.

The power of France over the Ruhr district is an established fact, and the importance of the Ruhr to the German nation is obvious, but the fundamental fact remains that large reparation payments can be made only as all the German industries are fully employed and pouring a stream of products into the markets of the world. This evidently requires the co-operation of the German people, stimulated by the incentive of individual reward, which is the mainspring of industrial activity everywhere. It requires also a complete reorganization of the monetary and fiscal system of Germany, and it is doubtful whether this can be accomplished without outside help, similar to that afforded to Austria. It is not likely that such help can be secured until a practical settlement of the reparations problem is reached.

The recent action of the Reparations Commission, taken with the approval of all the allied governments, creating several expert committees to study different phases of the reparations problem and give advice thereon, affords the basis of new hope that a solution will be found.

It is a matter for congratulation that while the United States government will not be officially represented upon these committees, it raises no objection to the appointment of three eminent financiers of this country upon them.

The sessions of these committees will begin at an early day, and meanwhile Germany is endeavoring by means of another makeshift currency to keep her industries going and overcome the budget deficit. The new currency is based upon land mortgages, and the issue regulated by conditions which if observed should secure ultimate redemption on the basis of the gold mark, but ultimate redemption is not the same as current redemption, and unless government revenues are promptly raised to meet government expenditures the new currency

either will not be supplied to perform the common functions of money or will be depreciated. The entire industrial and social situation has reached a stage of demoralization where no time is to be lost.

Latin America

The end of the year finds the Latin American countries generally going through a period of healthy recovery from the business depression suffered during previous years. In many of those countries there has been a remarkable revival in their foreign trade, and good local crops have brought prosperous conditions. The depression that commenced in 1920 for most of the Latin American countries did not of course impair the basic economic factors of their trade, as they sell products for which as a rule there is a steady demand. The second half of 1922 witnessed the first indications of recovery, and with the increased demand for their products, particularly from the United States, and the consequent rise in prices during the first half of 1923, there came a general improvement. The trade revival in the United States has doubtless been a strong factor in this change. Our imports from South America alone during the fiscal year 1922-23 amounted to a value of about \$471,000,000 as compared with about \$289,000,000 in the previous fiscal year. In April 1923 we imported from Latin American countries merchandise valued at \$111,550,000, nearly double the value of such imports in April 1922. The increase of our imports in the ten months ending with April 1923 was 55 per cent over the corresponding period ending with April 1922. While the Latin American exports have as a rule increased, there has been a tendency to restrict imports to legitimate needs as a result of the lessons taught by the past period of depression, and merchants in many lines have refrained from carrying large stocks. There are indications, however, that with the gradual restoration of confidence, the import trade of the Latin American countries will increase in proportion. The stocks of imports have been low for some time, and the needed reaction is being already felt in some lines. Extensive public works, railroad building and development of natural resources have been planned or are being carried out in many of the Southern Republics, and this is the most promising feature in the outlook for 1924.

The improvement in trade in 1923 is shown by the following figures for several countries:

	1922	1923
Brazil—8 months ending	Br. Pounds	Br. Pounds
August:	Sterling	Sterling
Imports	£30,128,000	£32,730,000
Exports	42,058,000	43,600,000
Chili—6 months ending June		
(principal articles):	Gold pesos	Gold pesos
Imports	30,338,000	41,408,684
Exports	118,905,433	194,317,213

Peru—6 months ending		
June:	Peruvian £	Peruvian £
Imports	4,780,889	6,463,659
Exports	7,937,052	8,766,511
Uruguay—7 months ending		
July:	Pesos	Pesos
Imports	24,747,952	30,274,476
Exports	46,115,573	63,620,478

Argentina and Uruguay

For the first six months of 1923 exports from Argentina were valued at 437,000,000 gold pesos, compared with 356,000,000 in the corresponding period of 1922. Crop conditions in Argentina are good. Latest reports say that of surplus available for export there will be of wheat 4,500,000 tons, linseed 1,500,000 tons and oats 800,000 tons. Linseed has recently reached the highest prices since 1920 and wool also is bringing high prices. The cattle situation is better, although prices still are low. Notwithstanding the improvement in exports the balance of trade, which has been against the country since 1921, has continued so, and exchange rates have been against the Argentine peso and unfavorable to a revival of imports. The government's fiscal situation has been unsatisfactory for several years, with a large floating debt, but with large crops now in prospect and the improvement in prices it is probable that the entire situation will take better shape in the coming year. The country is inherently sound. The railroads have had a good year, with the result that the British companies have resumed dividends formerly paid, and the Argentine government is contemplating important extensions of the state-owned lines.

Uruguay, which has suffered from the crisis in the cattle industry, is benefiting by the rise of wool, in which the country is also a large producer, and the general business situation is improving.

Financial Reform in Brazil

In Brazil the domestic industries are in good condition. The short crops of cotton in the United States and resulting high prices are making cotton-growing profitable, and the sugar producers also are prosperous. Brazil's chief crop is coffee and the European market for this has been unfavorably affected by the diminished purchasing power of the population. The Brazilian government has attempted to support the price of coffee by a valorization plan, which includes a restriction upon the movement of coffee from the plantations. Moreover, the government's finances have become disordered by the policies pursued, with the result that the currency has suffered further depreciation. Brazil has a good surplus of exports over imports, but the requirements for the service of her foreign debts are large, and the exchange has been in a demoralized condition, seriously affecting all

Brazil's international relations. With a view to adopting a permanent monetary and fiscal policy which will remedy this evil the Brazilian government recently has invited four distinguished Englishmen to visit Brazil, make a study of the situation and submit recommendations. These gentlemen are Mr. Edwin Montague, a former Secretary of State for India, Sir Charles Addis, chairman of the Hongkong and Shanghai Banking Corporation, Lord Lovat and Mr. Hartley Withers, recently editor of the London Economist. These gentlemen accepted the invitation and sailed from England on their mission December 14. It is the desire and intention of the Brazilian government to inaugurate such a plan of fiscal reform as will give a stable currency and stimulate a flow of foreign capital for the development of the country's great resources.

Chile has shown a considerable gain in her nitrate trade, and a notable improvement in business conditions during the past year. Nitrate sales from January to November amounted to 1,831,000 metric tons as compared with 900,000 during the same period in the previous year. The copper mines are active, the Chilean producers being on a low cost level. Building and other construction showed a revival.

Peru has benefited by the improved prices for cotton, sugar and wool, and both exports and imports are higher. Bolivia has also improved its position during the year.

Columbia and Venezuela have suffered from low prices for their products, and the former endured a serious banking crisis in July last. A new national bank of issue was being established at the time, under the guidance of a commission appointed from this country, and it was able to render timely service. Conditions in both countries are in the way of betterment.

Conditions in Mexico were improving throughout the year, until the controversies arising out of the presidential campaign plunged the country again into war, since when familiar reports that conflicting armies were tearing up railroad tracks have been current again. During the year the plan for the reorganization of the government's foreign indebtedness was put into effect, and it is hoped that the recent outbreak of military operations may terminate before the losses are so serious as to compel an abandonment of the plan.

Cuba, as a result of the rise in the price of sugar, has made a satisfactory recovery, and the outlook is for continued prosperity.

Australia

The feature of the year in Australia has been the improvement in status of its chief

industry, wool production. Dalgety & Co., the leading company in the trade, in its annual report offered at the stockholders' meeting held in London on November 15 last, comment upon the year's results and the general wool situation as follows:

The market displayed various fluctuations from sale to sale, but, to sum up the past year's movements and without wearying you with details, it may be said that values show a very satisfactory appreciation over those current during the preceding year. This will be best illustrated by comparing the average return per bale realized for the 2,400,600 bales of wool sold in Australia and New Zealand for the past two seasons—which were for 1921-1922 £15 8s. 1d. per bale, and for 1922-1923 £22 9s. 8d. per bale. The result has been that although the total sales in the Colonial markets during the past season were reduced by no less than 284,858 bales, the actual money return showed an increase of more than £12,500,000 over 1921-1922.

That this fine result has been achieved in spite of unsatisfactory—not to say adverse—trade conditions, especially in Central and Eastern Europe, is a striking confirmation of what I pointed out to you last year—namely, that the world's demand for wool today is appreciably in excess of the present production, and that all qualities and descriptions will be required, and will realize remunerative prices for some time to come.

This rise of wool prices has taken place notwithstanding the liquidation of very large stocks of wool that had been accumulated by the British government during the war. These stocks are now cleared out.

The Dalgety statement is supported by a statement made by Mr. Andrew Williamson, Chairman of the English, Scottish & Australian Bank at its annual meeting in London recently. In discussing the wool situation he said:

The statistical position of wool of all kinds at the present time is a very strong one. The world consumption has outrun the total world production. The consumption last year has been estimated by Sir Arthur Goldfinch as 3,300,000,000lb., and the total production of the wool at 2,800,000,000lb., or an excess of consumption over production of 500,000,000lb., equal to 1,500,000 Colonial bales. It is computed that there are 84,000,000 less sheep in the world today than in 1913, and 25,000,000 less in Australia.

The cattle industry has suffered several hard years, but in general the reports are more favorable than at the close of any other recent year.

The dairy industry has had great development in New Zealand in recent years, butter and cheese in increasing quantities going 13,000 miles by sea to the London market. The manner in which it is transported this distance, arriving in condition to compete with butter from Denmark and Holland, is a triumph of transportation service. Milk from 56,000 farms is gathered in central creameries, and the product is made and shipped under a system of rigid inspection to maintain the standard. Last year the exports of butter and cheese were valued at \$85,000,000, exceeding the dairy exports of any other country.

Queensland is increasing the production of cotton, and Australia has a very large area un-

doubtedly suitable for cotton, but lacks the labor and for this reason the development is not likely to be rapid.

Canada

Our neighbor, Canada, has had a good year, with the largest grain crop on record and general industrial activity. One of the good features has been the showing made by the Canadian National Railways, which under the management of Sir Henry Thornton have accomplished the feat of earning a surplus above operating expenses. The fixed charges are not covered, but as this is the first year in which operating expenses have been covered, very substantial progress has been made. As the new roads run through a country only sparsely settled it is only a question of time and the continuance of expert management when they will cease to be a burden to the Treasury. The principal problem is to keep them out of politics.

Canada accomplished the feat of refunding its Victory loan during the year, and hopes to close the fiscal year with a balanced budget. To aid in this achievement the sales tax, which has given general satisfaction, is being increased.

Asia

The outstanding event in Asia during the year was the destruction of Yokohama and Tokio by earthquake and fire on September 1st and the day following. The disaster was the greatest of its kind ever known, but the Japanese people met it with great fortitude and resourcefulness. The national government came to the support of the stricken com-

munities promptly and in a liberal spirit, providing in a temporary manner for the immediate needs of the homeless, while plans are being developed for reconstruction upon an approved system. At first it was thought that the government would enter foreign money markets for a large loan, but this has not been necessary and may not be done.

The industries of Japan were not on the whole seriously affected by the destruction of the two cities, although the cotton spinning industry suffered heavily.

China has suffered during the year and in previous ones from the state of political disorder. The government has been in serious straits for revenues and unable to exercise effective authority over the country, but despite this fact business has gone on upon a scale comparable to other years, showing the vitality of the country. Only order and security are needed for great development in Chinese production and trade.

German Note Circulation

The table which follows shows the paper mark circulation of Germany at intervals from the first week of January 1923 to November 30, the latest date for which figures have been published; also the equivalent value in United States dollars at the current rate of exchange at the dates named, and the number of marks equaling one United States dollar at current rates, also the gold holdings of the Reichsbank at the dates named. The figures of "notes in circulation" and "gold holdings" are from the official reports of the Imperial Bank of Germany (Reichsbank).

GERMAN NOTE CIRCULATION

Official record of the Imperial Bank of Germany of its "notes in circulation" at intervals from January 6 to November 30, 1923; also the value in United States dollars and number of marks equaling one dollar, at the current rates of exchange for the respective dates.

	Marks Note Circulation (a)	Equivalent of note circulation in U. S. dollars.†	Number of marks equaling one U. S. dollar†	Gold holdings (a) Marks
Jan. 6, 1923.....	1,336,500,000,000	\$153,697,500	8,695	1,005,000,000
Feb. 7, ".....	2,253,963,000,000	61,983,980	36,363	1,005,000,000
Mar. 7, ".....	3,871,256,000,000	187,755,910	20,619	1,005,000,000
Apr. 7, ".....	5,624,110,000,000	267,145,225	21,052	1,005,000,000
May 7, ".....	6,723,070,000,000	183,203,657	36,764	913,909,000
June 7, ".....	9,309,532,000,000	121,023,916	76,923	756,914,000
July 7, ".....	20,241,750,000,000	91,087,875	222,222	707,000,000
Aug. 7, ".....	62,326,659,000,000	19,944,530	3,125,000	596,351,000
Aug. 15, ".....	116,402,515,000,000	41,904,905	2,777,778	516,122,000
Aug. 23, ".....	273,906,373,000,000	62,998,465	4,347,826	512,122,000
Aug. 31, ".....	663,200,000,000,000	69,636,000	9,523,809	510,486,000
Sept. 7, ".....	1,182,039,000,000,000	35,461,170	33,833,333	490,000,000
Sept. 15, ".....	3,183,681,000,000,000	30,244,969	105,263,157	490,000,000
Sept. 22, ".....	8,627,730,000,000,000	50,040,834	172,413,793	470,000,000
Sept. 29, ".....	28,228,815,000,000,000	138,321,193	204,081,630	444,000,000
Oct. 6, ".....	46,933,600,000,000,000	51,626,960	909,090,909	443,000,000
Oct. 15, ".....	123,349,786,603,000,000	30,837,446	4,000,000,000	443,000,000
Oct. 22, ".....	524,330,557,246,000,000	11,797,437	44,444,444,444	467,000,000
Oct. 31, ".....	2,496,822,908,936,000,000	14,980,937	166,666,666,667	467,000,000
Nov. 7, ".....	19,153,087,468,804,000,000	7,661,234	2,500,000,000,000	467,000,000
Nov. 15, ".....	92,844,720,742,927,000,000	23,211,180	4,000,000,000,000	467,000,000
Nov. 23, ".....	223,927,315,083,796,000,000	44,785,463	5,000,000,000,000	467,000,000
Nov. 30, ".....	400,267,640,291,750,000,000	60,040,146	6,666,666,666,667	467,000,000

(a) From official reports of the Imperial Bank of Germany.

† At current rates of exchange at the dates named.

FIRST NATIONAL BANK

IN MINNEAPOLIS

MAIN OFFICE
FIFTH STREET AND MARQUETTE AVENUE

OFFICERS:

F. M. Prince, Chairman Executive Committee		F. A. Chamberlain, Chairman Bd. of Directors	
C. T. Jaffray, President			
J. S. Pomeroy . . .	Vice-President	Walter A. Meacham . . .	Asst. Cashier
P. J. Leeman . . .	Vice-President	C. B. Brombach . . .	Asst. Cashier
Geo. A. Lyon . . .	Vice-President	J. A. Murphy . . .	Asst. Cashier
J. G. Byam . . .	Vice-President	J. Clayton . . .	Asst. Cashier
E. E. Blackley . . .	Vice-President	G. Woods Smith . . .	Asst. Cashier
Fred Spafford . . .	Vice-President	W. A. Volkmann . . .	Asst. Cashier
Stanley H. Bezoier . . .	Cashier	L. W. Scholes . . .	Asst. Cashier
John G. Maclean . . .	Asst. Cashier	A. G. Bjerken . . .	Asst. Cashier
M. O. Grangaard . . .	Asst. Vice-President	K. M. Morrison . . .	Comptroller

ST. ANTHONY FALLS OFFICE 328 EAST HENNEPIN AVENUE

JOSEPH E. WARE, Vice President	WM. E. NEUDECK, Assistant Cashier
SAMUEL E. FOREST, Vice President	CHARLES A. PALMER, Assistant Cashier
CHARLES L. CAMPBELL, Assistant Vice President	EDWIN R. WISTRAND, Assistant Cashier

NORTH SIDE OFFICE WASHINGTON AND PLYMOUTH AVENUES

W. H. DAHN, Vice President	F. R. SLEAVIN, Assistant Cashier
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BLOOMINGTON—LAKE OFFICE BLOOMINGTON AND LAKE

A. M. MACHO, Assistant Cashier	A. S. NEWCOMB, Assistant Cashier
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MINNEHAHA OFFICE

2626 EAST TWENTY-FIFTH STREET

G. W. LALONE, Assistant Vice President	ARVID A. LUND, Assistant Cashier
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WEST BROADWAY OFFICE
WEST BROADWAY AT EMERSON
W. H. DAHN, Vice-President

CAPITAL AND SURPLUS - \$10,500,000

MINNEAPOLIS TRUST COMPANY
115 South Fifth Street

The First National Bank, Minneapolis Trust Company and Hennepin County Savings Bank are under one ownership

